

QUARTERLY REPORT

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended September 30, 2002

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

BALANCE SHEETS

SEPTEMBER 30, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2002 (c) | 2001 (d) |
|-------------|---|-------------|-------------|
| | ASSETS | | |
| | Current Assets: | | |
| 1 | Cash and cash equivalents. | \$ 25,021 | \$ 26,508 |
| 2 | Short-term investments. | - | - |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 2002, \$ 6,931 ; 2001, \$ 7,717). NOTE 2 | 47,775 | 89,458 |
| 4 | Inventories. | 2,378 | 2,159 |
| 5 | Prepaid expenses and other current assets. | 4,075 | 3,300 |
| 6 | Total current assets. | 79,249 | 121,425 |
| 7 | Investments, Advances, and Receivables. NOTES 1 and 3. | 153,909 | 174,041 |
| 8 | Property and Equipment - Gross. NOTES 1 and 4. | 1,134,249 | 1,064,287 |
| 9 | Less: Accumulated Depreciation/Amortization. NOTES 1 and 4. | (553,582) | (520,674) |
| 10 | Property and Equipment - Net. | 580,667 | 543,613 |
| 11 | Other Assets. | 233 | 233 |
| 12 | Total Assets. | \$ 814,058 | \$ 839,312 |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | | |
| 13 | Accounts payable. | \$ 4,793 | \$ 4,907 |
| 14 | Notes payable. | - | - |
| | Current portion of long-term debt. | | |
| 15 | Due to affiliates. | - | - |
| 16 | Other. | 59 | 58 |
| 17 | Income taxes payable and accrued. | - | - |
| 18 | Other accrued expenses. NOTE 5. | 30,855 | 27,593 |
| 19 | Other current liabilities. NOTE 6. | 6,202 | 8,159 |
| 20 | Total current liabilities. | 41,909 | 40,717 |
| | Long-Term Debt: | | |
| 21 | Due to affiliates. NOTE 7. | 533,500 | 533,500 |
| 22 | Other. NOTE 7. | 1,679 | 1,843 |
| 23 | Deferred Credits. | - | - |
| 24 | Other Liabilities. NOTE 8. | 1,966 | 2,080 |
| 25 | Commitments And Contingencies. NOTE 1. | - | - |
| 26 | Total Liabilities. | 579,054 | 578,140 |
| 27 | Stockholders', Partners', Or Proprietor's Equity. | 235,004 | 261,172 |
| 28 | Total Liabilities And Equity. | \$ 814,058 | \$ 839,312 |

*Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2002 (c) | 2001 (d) |
|-------------|---|-------------|-------------|
| | REVENUE: | | |
| 1 | Casino | \$ 403,460 | \$ 394,079 |
| 2 | Rooms | 30,829 | 29,683 |
| 3 | Food and Beverage | 56,673 | 56,325 |
| 4 | Other | 8,136 | 9,954 |
| 5 | Total Revenue | 499,098 | 490,041 |
| 6 | Less: Promotional allowances | 88,247 | 87,902 * |
| 7 | Net Revenue | 410,851 | 402,139 |
| | COSTS AND EXPENSES: | | |
| 8 | Costs of Goods and Services | 222,904 | 222,323 |
| 9 | Selling, General, and Administrative | 42,548 | 42,518 * |
| 10 | Provision for Doubtful Accounts | 1,513 | 2,372 |
| 11 | Total costs and expenses | 266,965 | 267,213 |
| 12 | Gross Operating Profit | 143,886 | 134,926 |
| 13 | Depreciation and amortization NOTE 1.... | 26,451 | 26,220 |
| | Charges from affiliates other than interest: | | |
| 14 | Management fees NOTE 9.... | 13,421 | 13,114 |
| 15 | Other | --- | --- |
| 16 | Income (Loss) from Operations | 104,014 | 95,592 |
| | Other Income (Expenses): | | |
| 17 | Interest (expense) - affiliates NOTE 7.... | (33,648) | (32,766) |
| 18 | Interest (expense) - external | (192) | (290) |
| 19 | Investment alternative tax and related income (expense) - net | (4,754) | (2,894) |
| 20 | Non-operating income (expense) - net NOTE 10.... | 9,664 | 12,282 |
| 21 | Total other income (expenses) | (28,930) | (23,668) |
| 22 | Income (Loss) Before Income Taxes and Extraordinary Items | 75,084 | 71,924 |
| 23 | Provision (credit) for income taxes | 27,224 | 25,074 |
| 24 | Income (Loss) Before Extraordinary Items | 47,860 | 46,850 |
| 25 | Extraordinary items (net of income taxes) | --- | --- |
| 26 | Net Income (Loss) | \$ 47,860 | \$ 46,850 |

*Restated to conform to the 2002 presentation.

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STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2002 (c) | 2001 (d) |
|-------------|---|-------------|-------------|
| | REVENUE: | | |
| 1 | Casino | \$ 143,579 | \$ 139,929 |
| 2 | Rooms | 11,672 | 11,599 |
| 3 | Food and Beverage | 19,640 | 19,704 |
| 4 | Other | 2,723 | 3,949 |
| 5 | Total Revenue | 177,614 | 175,181 |
| 6 | Less: Promotional allowances | 30,727 | 29,045 * |
| 7 | Net Revenue | 146,887 | 146,136 |
| | COSTS AND EXPENSES: | | |
| 8 | Costs of Goods and Services | 77,134 | 76,674 |
| 9 | Selling, General, and Administrative | 14,328 | 14,132 * |
| 10 | Provision for Doubtful Accounts | 223 | 913 |
| 11 | Total costs and expenses | 91,685 | 91,719 |
| 12 | Gross Operating Profit | 55,202 | 54,417 |
| 13 | Depreciation and amortization NOTE 1... | 8,804 | 8,704 |
| | Charges from affiliates other than interest: | | |
| 14 | Management fees NOTE 9... | 4,595 | 4,679 |
| 15 | Other | --- | --- |
| 16 | Income (Loss) from Operations | 41,803 | 41,034 |
| | Other Income (Expenses): | | |
| 17 | Interest (expense) - affiliates NOTE 7... | (11,295) | (11,321) |
| 18 | Interest (expense) - external | (64) | (153) |
| 19 | Investment alternative tax and related income (expense) - net | (1,743) | (952) |
| 20 | Non-operating income (expense) - net NOTE 10... | 5,460 | 7,600 |
| 21 | Total other income (expenses) | (7,642) | (4,826) |
| 22 | Income (Loss) Before Income Taxes and Extraordinary Items | 34,161 | 36,208 |
| 23 | Provision (credit) for income taxes | 11,904 | 11,930 |
| 24 | Income (Loss) Before Extraordinary Items | 22,257 | 24,278 |
| 25 | Extraordinary items (net of income taxes) | --- | --- |
| 26 | Net Income (Loss) | \$ 22,257 | \$ 24,278 |

*Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.
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STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(UNAUDITED)

(\$ IN THOUSANDS)

| Line (a) | Description (b) | Common Stock | | Preferred Stock | | Additional Paid - In Capital (g) | ----- ----- ----- (h) | Retained Earnings (Accumulated Deficit) (i) | Total Stockholder's Equity (Deficit) (j) |
|-------------|-----------------------------------|---------------|---------------|-----------------|---------------|---|--------------------------------|---|--|
| | | Shares (c) | Amount (d) | Shares (e) | Amount (f) | | | | |
| 1 | Balance, December 31, 2000 | 100 | \$ 1 | | | \$ 128,260 | | \$ 86,061 | \$ 214,322 |
| 2 | Net Income - 2001 | | | | | | | 50,822 | 50,822 |
| 3 | Contribution to Paid - In Capital | | | | | | | | |
| 4 | Dividends | | | | | | | | |
| 5 | Prior Period Adjustments | | | | | | | | |
| 6 | Distribution to PPE | | | | | | | | |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | | | | | | | | | |
| 10 | Balance, December 31, 2001 | 100 | 1 | | | 128,260 | | 136,883 | 265,144 |
| 11 | Net Income - 2002 | | | | | | | 47,860 | 47,860 |
| 12 | Contribution to Paid - In Capital | | | | | | | | |
| 13 | Dividends | | | | | | | (78,000) | (78,000) |
| 14 | Prior Period Adjustments | | | | | | | | |
| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | | | | | | | | | |
| 18 | | | | | | | | | |
| 19 | Balance, September 30, 2002 | 100 | \$ 1 | | | \$ 128,260 | | \$ 106,743 | \$ 235,004 |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

| Line (a) | Description (b) | Contributed Capital (c) | Accumulated Earnings (Deficit) (d) | (e) | Total Equity (Deficit) (f) |
|-------------|------------------------------------|-------------------------------|---|-----|-------------------------------------|
| 1 | Balance, December 31, 2000. | | | | |
| 2 | Net Income (Loss) - 2001. | | | | |
| 3 | Capital Contributions. | | | | |
| 4 | Capital Withdrawals. | | | | |
| 5 | Partnership Distributions. | | | | |
| 6 | Prior Period Adjustments. | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | Balance, December 31, 2001. | | | | |
| 11 | Net Income (Loss) - 2002. | | | | |
| 12 | Capital Contributions. | | | | |
| 13 | Capital Withdrawals. | | | | |
| 14 | Partnership Distributions. | | | | |
| 15 | Prior Period Adjustments. | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | Balance, September 30, 2002. . . . | | | | |

The accompanying notes are an integral part of the financial statements.
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STATEMENTS OF CASH FLOWS

Page 1 of 2

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | Description (b) | 2002 (c) | 2001 (d) |
|-------------|---|-------------|-------------|
| 1 | Net Cash Provided (Used) By Operating Activities | \$ 69,867 | \$ 56,173 |
| | Cash Flows From Investing Activities: | | |
| 2 | Purchase of short-term investment securities | — | — |
| 3 | Proceeds from the sale of short-term investment securities | — | — |
| 4 | Purchase outflows for property and equipment | (43,588) | (13,532) |
| 5 | Proceeds from disposition of property and equipment | 225 | 194 |
| 6 | Purchase of casino reinvestment obligations | (5,265) | (5,081) |
| 7 | Purchase of other investments and loans/advances made | — | (33,500) |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables | 1,876 | 462 |
| 9 | Cash outflows to acquire business entities | — | — |
| 10 | | — | — |
| 11 | Net book values of disposals | — | — |
| 12 | Net Cash Provided (Used) By Investing Activities | (46,752) | (51,457) |
| | Cash Flows From Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt | — | — |
| 14 | Payments to settle short-term debt | — | — |
| 15 | Cash proceeds from issuance of long-term debt | — | 33,500 |
| 16 | Costs of issuing debt | — | — |
| 17 | Payments to settle long-term debt | (145) | (52) |
| 18 | Cash proceeds from issuing stock or capital contributions | — | — |
| 19 | Purchases of treasury stock | — | — |
| 20 | Payments of dividends or capital withdrawals | (78,000) | — |
| 21 | Change in payable to/receivable from affiliate | 51,273 | (40,309) |
| 22 | | — | — |
| 23 | Net Cash Provided (Used) By Financing Activities | (26,872) | (6,861) |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents | (3,757) | (2,145) * |
| 25 | Cash And Cash Equivalents At Beginning Of Period | 28,778 | 28,653 * |
| 26 | Cash And Cash Equivalents At End Of Period | \$ 25,021 | \$ 26,508 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | Cash Paid During Period For: | | |
|----|--|-----------|-----------|
| 27 | Interest (net of amount capitalized) | \$ 33,840 | \$ 33,056 |
| 28 | Income taxes | \$ 27,224 | \$ 25,074 |

*Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | Description (b) | 2002 (c) | 2001 (d) |
|-------------|--|-------------|-------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss) | \$ 47,860 | \$ 46,850 |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment | 26,451 | 26,220 |
| 31 | Amortization of other assets | — | — |
| 32 | Amortization of Debt Discount or Premium | — | — |
| 33 | Deferred Income taxes - current | — | — |
| 34 | Deferred income taxes - noncurrent | — | — |
| 35 | (Gain) loss on disposition of property and equipment | (133) | (29) |
| 36 | (Gain) loss on casino reinvestment obligations | 4,754 | 2,894 |
| 37 | (Gain) loss from other investment activities | (8,441) | (10,606) |
| 38 | Net (increase) decrease in receivables and patrons' checks | (3,986) | (8,959) |
| 39 | Net (increase) decrease in inventories | (115) | (19) |
| 40 | Net (increase) decrease in other current assets | (1,468) | (497) |
| 41 | Net (increase) decrease in other assets | — | 68 |
| 42 | Net increase (decrease) in accounts payables | (870) | (1,368) * |
| 43 | Net increase (decrease) in other current liabilities excluding debt | 5,901 | 1,705 * |
| 44 | Net increase in other noncurrent liabilities excluding debt | (86) | (86) |
| 45 | Loss on extinguishment of debt, net of income tax benefit | — | — |
| 46 | Amortization of CRDA assets | — | — |
| 47 | Net Cash Provided (Used) By Operating Activities | \$ 69,867 | \$ 56,173 |

SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|-------------|-------------|
| | Acquisition Of Property And Equipment: | | |
| 48 | Additions to property and equipment | \$ (43,588) | \$ (13,532) |
| 49 | Less: Capital lease obligations incurred | — | — |
| 50 | Cash Outflows For Property And Equipment | \$ (43,588) | \$ (13,532) |
| | Acquisition Of Business Entities: | | |
| 51 | Property and equipment acquired | \$ — | \$ — |
| 52 | Goodwill acquired | — | — |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment | — | — |
| 54 | Long-term debt assumed | — | — |
| 55 | Issuance of stock or capital invested | — | — |
| 56 | Cash Outflows To Acquire Business Entities | \$ — | \$ — |
| | Stock Issued Or Capital Contributions: | | |
| 57 | Total issuances of stock or capital contributions | \$ — | \$ — |
| 58 | Less: Issuances to settle long-term debt | — | — |
| 59 | Consideration in acquisition of business entities | — | — |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions | \$ — | \$ — |

* Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 144,983 | \$ 6,594 | | \$ |
| 2 | Food | 561,984 | 7,488 | | |
| 3 | Beverage | 2,150,649 | 4,302 | | |
| 4 | Travel | | | 19,537 | 1,293 |
| 5 | Bus Program Cash | 230,988 | 3,136 | | |
| 6 | Other Cash Complimentaries | 685,568 | 8,928 | | |
| 7 | Entertainment | 373 | 9 | 4,554 | 570 |
| 8 | Retail & Non-Cash Gifts | 5,950 | 191 | 6,867 | 1,614 |
| 9 | Parking | | | | |
| 10 | Other * | 2,627 | 79 | 48,537 | 624 |
| 11 | Total | 3,783,122 | \$ 30,727 | 79,495 | \$ 4,101 |

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 407,532 | \$ 17,211 | | \$ |
| 2 | Food | 1,622,143 | 21,713 | | |
| 3 | Beverage | 6,208,359 | 12,417 | | |
| 4 | Travel | | | 50,733 | 3,421 |
| 5 | Bus Program Cash | 750,157 | 10,379 | | |
| 6 | Other Cash Complimentaries | 1,987,090 | 25,490 | | |
| 7 | Entertainment | 15,559 | 346 | 8,719 | 1,090 |
| 8 | Retail & Non-Cash Gifts | 13,945 | 507 | 161,577 | 5,714 |
| 9 | Parking | | | | |
| 10 | Other * | 6,127 | 184 | 141,191 | 1,650 |
| 11 | Total | 11,010,912 | \$ 88,247 | 362,220 | \$ 11,875 |

* No item in this category exceeds 5%.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), a wholly owned subsidiary of Park Place Entertainment Corporation ("PPE"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City", and was formerly known as "Bally's Park Place Casino Resort." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Company's Casino Control Commission Quarterly Report for the year ended December 31, 2001.

All adjustments to the financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets of the Company at September 30, 2002 and 2001, and its statements of income for the three and nine months ended September 30, 2002 and 2001 and its statements of cash flows for the nine months ended September 30, 2002 and 2001. All such adjustments were of a normal recurring nature.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations for the nine months ended September 30, 2002 and 2001 are not necessarily indicative of the results of operations for the full year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Reclassifications

The financial statements for the prior year reflect certain reclassifications to conform with classifications adopted in 2002. The change in classifications had no effect on previously reported net income.

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

In the first quarter of 2001, the Emerging Issues Task Forces ("EITF") reached a consensus on certain issues in EITF 00-22 "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that cash rebates or refunds as part of a customer loyalty program be shown as a reduction of revenues.

EITF 00-14 "Accounting for Certain Sales Incentives," which is effective January 1, 2002, focuses on the accounting for, and presentation of, discounts, coupons and rebates. EITF 00-14 requires that cash or equivalent amounts provided or returned to customers as part of a transaction should not be shown as an expense but should be an offset to the related revenue. The Company offers cash inducements and match-play coupons to customers to encourage visitation and play at the casino.

With the adoption of the new standards, the prior-year period presented has been reclassified to conform to the new presentation. This resulted in an addition to promotional allowances (and a corresponding reduction in selling, general and administrative expenses) of \$12,064 and \$9,731, for the three months ended September 30, 2002 and 2001, respectively, and \$35,869 and \$34,446, for the nine months ended September 30, 2002 and 2001, respectively. The requirements of EITF 00-14 and EITF 00-22 do not have an impact on previously reported operating income or net income.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis the estimated economic lives of the related assets. Depreciation expense was \$8,804 and \$8,704 for the three months ended September 30, 2002 and 2001, respectively, and \$26,451 and \$26,220 for the nine months ended September 30, 2002 and 2001, respectively.

| <u>Asset class</u> | <u>Life</u> |
|-----------------------------------|-------------|
| Buildings | 40 years |
| Building improvements | 3-10 years |
| Furniture, Fixtures and Equipment | 3-10 years |

Long-lived assets

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). The adoption of SFAS 142 had no effect on the Company's financial position and results of operations.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Fair value of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at September 30, 2002 and 2001.

Investments in subsidiaries

The Company has an investment in GNOC, Corp. (which owns and operates the casino hotel resort in Atlantic City known as the "Atlantic City Hilton"). The Company also has investments in three other subsidiaries, Atlantic City Country Club, Inc., Bally's Land Ventures, Inc. and Bally's Skyscraper, Inc ("BSI"). On June 1, 2001, BSI purchased the assets and assumed certain liabilities of the Claridge at Park Place, Inc. ("CPPI") and Atlantic City Boardwalk Associates ("ACBA"), and commenced operation of the casino hotel resort in Atlantic City known as the "Claridge." On December 18, 2001, the Company filed a certificate of merger combining three wholly-owned subsidiaries, Bally's Park Place Realty Co., B.W. Realty, Inc. and Bally Warwick, Inc. with and into Bally's Park Place, Inc. This transaction was accounted for at historical cost. The investments in all subsidiaries are reflected in the accompanying financial statements using the equity method.

On September 23, 2002, the Company and BSI petitioned the Commission to allow a merger combining BSI with and into the Company. A hearing on the matter is scheduled for December 11, 2002. If the petition is approved by the Commission, a certificate of merger will be filed combining the two entities.

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to PPE on a daily basis. PPE provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other PPE affiliates are consolidated, including limousine services, legal services, advertising, sales and marketing services, purchasing and certain other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

Income taxes

Taxable income or loss of the Company is included in the consolidated federal income tax return of PPE. The Company provides for income taxes by applying the respective state and federal statutory rates to the pre-tax financial statement income. The corresponding liability or receivable is credited or charged to PPE. Income tax assets and liabilities for permanent and temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by PPE.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|---|------------------|------------------|
| Casino receivables (net of allowance for doubtful accounts – \$6,848 in 2002 and \$7,652 in 2001) | \$ 6,023 | \$ 7,564 |
| Other (net of allowance for doubtful accounts – \$83 in 2002 and \$65 in 2001) | 3,860 | 4,312 |
| Due from PPE | 29,288 | 44,663 |
| Due from Caesars Atlantic City | 3,145 | 14,221 |
| Due from Atlantic City Country Club, Inc. | 549 | 15,030 |
| Due from affiliates | 4,910 | 3,668 |
| | <u>\$ 47,775</u> | <u>\$ 89,458</u> |

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|---|------------------|------------------|
| Investment in wholly owned subsidiaries (see Note 1): | | |
| Atlantic City Country Club, Inc. | \$ 15,989 | \$ 17,025 |
| Bally's Park Place Realty Company | - | 15,625 |
| B.W. Realty, Inc. | - | 5,350 |
| Bally Warwick, Inc. | - | 3,228 |
| Bally's Land Ventures Realty, Inc. | 14,342 | 14,342 |
| Bally's Skyscraper, Inc. | 35,312 | 34,864 |
| GNOC, Corp. | <u>59,889</u> | <u>53,443</u> |
| Total investment in subsidiaries | 125,532 | 143,877 |
| Casino Reinvestment Development Authority | | |
| Investment obligations (less valuation reserves | | |
| of \$10,917 in 2002 and \$12,465 in 2001) | 26,394 | 27,762 |
| Jacobs Family Terrace mortgage receivable | | |
| (less reserve of \$250 in 2002 and 2001) | 1,389 | 1,534 |
| Long-term receivable from GNOC, Corp. | | |
| | <u>594</u> | <u>868</u> |
| | <u>\$153,909</u> | <u>\$174,041</u> |

The Company, GNOC, Corp. and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and GNOC, Corp. resulting in the long-term receivable from GNOC, Corp. The investment agreement provides an investment plan for use of certain current and future CRDA funds.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|--|-------------------|-------------------|
| Land | \$ 98,964 | \$ 79,492 |
| Buildings and improvements | 750,574 | 746,554 |
| Furniture, fixtures and equipment | 249,465 | 235,896 |
| Construction in progress | <u>35,246</u> | <u>2,345</u> |
| | 1,134,249 | 1,064,287 |
| Less accumulated depreciation and amortization | <u>(553,582)</u> | <u>(520,674)</u> |
| | <u>\$ 580,667</u> | <u>\$ 543,613</u> |

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 5 - OTHER ACCRUED EXPENSES

Other accrued expenses as of September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|------------------------------|------------------|------------------|
| Accrued payroll and benefits | \$ 16,216 | \$ 14,185 |
| Insurance claims | 5,787 | 4,768 |
| Other | <u>8,852</u> | <u>8,640</u> |
| | <u>\$ 30,855</u> | <u>\$ 27,593</u> |

NOTE 6 - OTHER CURRENT LIABILITIES

Other current liabilities as of September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|--------------------------|-----------------|-----------------|
| Chip and token liability | \$ 1,436 | \$ 1,092 |
| Due to affiliates | 3,188 | 6,465 |
| Other | <u>1,578</u> | <u>602</u> |
| | <u>\$ 6,202</u> | <u>\$ 8,159</u> |

NOTE 7 - LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER

Long-term debt-due to affiliates and other as of September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|---|-------------------|-------------------|
| Long-term debt due to affiliates: | | |
| 8.5% Note payable to Park Place Finance Corporation ("PPFC") due May 31, 2011 | \$ 33,500 | \$ 33,500 |
| 8.5% Note payable to PPFC due January 1, 2009 | <u>500,000</u> | <u>500,000</u> |
| | <u>\$ 533,500</u> | <u>\$ 533,500</u> |
| Long-term debt-other: | | |
| Other secured and unsecured debt | <u>\$ 1,679</u> | <u>\$ 1,843</u> |

In January 1999, the Company executed a \$500,000 note payable to PPE with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, PPE assigned the \$500,000 note to PPFC. On June 1, 2001 the Company executed a \$33,500 note payable to PPFC with interest at a rate of 8.5% per annum, payable on the last business day of each quarter, the proceeds of which were invested in BSI.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 8 - OTHER LIABILITIES

Other liabilities as of September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|---|-----------------|-----------------|
| Retirement and other employee benefit plans | \$ 1,430 | \$ 1,588 |
| Other | <u>536</u> | <u>492</u> |
| | <u>\$ 1,966</u> | <u>\$ 2,080</u> |

NOTE 9 - CHARGES FROM AFFILIATES-MANAGEMENT FEE

The Company and PPE have entered into an administrative services and management agreement. Under the agreement, PPE provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays PPE a monthly management fee equal to three percent of revenues, as defined.

NOTE 10 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|---|-----------------|-----------------|
| Interest income | \$ 178 | \$ 288 |
| Gain on sale of assets | 36 | 54 |
| Equity in income of unconsolidated subsidiaries | 5,019 | 7,022 |
| Other | <u>227</u> | <u>236</u> |
| | <u>\$ 5,460</u> | <u>\$ 7,600</u> |

Nonoperating income (expense) for the nine months ended September 30 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|---|-----------------|------------------|
| Interest income | \$ 407 | \$ 989 |
| Gain (loss) on sale of assets | 133 | 29 |
| Equity in income of unconsolidated subsidiaries | 8,441 | 10,606 |
| Other | <u>683</u> | <u>658</u> |
| | <u>\$ 9,664</u> | <u>\$ 12,282</u> |

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Controller
Title

#7091-11
License Number

On Behalf Of:
Bally's Park Place, Inc. NJ
Casino Licensee